

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Alternative Delivery Provider 1 Contracts  
Negotiated Service Agreements

Docket No. MC2017-82

Competitive Product Prices  
Alternative Delivery Provider 1 Contracts (MC2017-82)  
Negotiated Service Agreements

Docket No. CP2017-111

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE REQUEST TO ADD  
ALTERNATIVE DELIVERY PROVIDER 1 CONTRACTS  
TO THE COMPETITIVE PRODUCT LIST

(February 7, 2017)

The Public Representative hereby provides comments pursuant to the Commission notice initiating this docket.<sup>1</sup> In that notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request to add Alternative Delivery Provider 1 Contracts to the competitive product list.<sup>2</sup>

The Postal Service's Request includes a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. § 3633(a), a public (redacted) version of Governor's Decision No. 11-6 and related analysis, a public (redacted) version of Alternative Delivery Provider 1 Contracts, and proposed changes to the Mail Classification Schedule competitive product list with the additions underlined. The Postal Service also filed under seal an unredacted version of Governor's Decision No.

---

<sup>1</sup> Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, January 31, 2017.

<sup>2</sup> Request of the United States Postal Service to Add Alternative Delivery Provider 1 Contracts to the Competitive Products List and Notice of Filing (Under Seal) of Contract and Application for Non-Public Treatment of Materials Filed Under Seal, January 30, 2017. (Request)

11-6 and Alternative Delivery Provider 1 Contracts, and supporting financial data estimating the contract value.

Alternative Delivery Provider 1 Contracts are “contracts whereby the Postal Service provides prices for delivery to specified destination countries using a combination of the Postal Service and alternative delivery providers, which serve as Postal Service delivery agents, rather than a combination of the Postal Service and the destination country Post.” *Request* at 3.

According to the Postal Service, Alternative Delivery Provider 1 Contracts is a competitive product “not of general applicability” within the meaning of 39 U.S.C. § 3632(b)(3). *Request* at 1. The Postal Service also maintains that the prices and classification underlying the instant contract are supported by Governors’ Decision No. 11-6.<sup>3</sup> The Postal Service further asserts that the Statement of Supporting Justification provides support for adding Alternative Delivery Provider 1 Contracts to the competitive product list and the compliance of the contract with 39 U.S.C. § 3633(a). *Request* at 2.

The Postal Service will notify the customer with the effective date of the contract after receiving final regulatory approval by the Commission. *Request* at 4. The contract is to expire one calendar year from the effective date, unless the agreement is terminated sooner pursuant to Article 12 or Article 13. *Id.*

## COMMENTS

The Public Representative has reviewed the instant contract, the Statement of Supporting Justification, and the financial data and model filed under seal that accompanies the Postal Service’s Request. Based upon that review, the Public Representative concludes that Alternative Delivery Provider 1 Contracts should be categorized as a competitive product and added to the competitive product list. In

---

<sup>3</sup> Decision of the Governors of the United States Postal Service on Establishment of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, March 22, 2011 (Governors’ Decision No. 11-6).

addition, it appears that the instant contract will generate sufficient revenues to cover costs and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

*Product List Assignment.* Pursuant to 39 U.S.C. § 3642, the Postal Service requests that Alternative Delivery Provider 1 Contracts be added to the competitive product list. 39 U.S.C. § 3642 requires the Commission to consider whether “the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service makes a number of assertions that address the considerations of section 39 U.S.C. § 3642(b)(1). *Attachment 1.* These assertions appear reasonable. Based upon these assertions, the Public Representative concludes that the Postal Service’s Request to add Alternative Delivery Provider 1 Contracts to the competitive product is appropriate.

*Requirements of 39 U.S.C. § 3633.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial data, the negotiated prices for Alternative Delivery Provider 1 Contracts should generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

---

Gregory Stanton  
Public Representative

901 New York Ave. NW  
Washington, DC 20268-0001  
202-789-6864  
gregory.stanton@prc.gov